



**STATE BOARD OF EQUALIZATION
STAFF LEGISLATIVE ENROLLED BILL ANALYSIS**

DRAFT

Date Amended:	Enrolled	Bill No:	SB 1147
Tax:	Property	Author:	Hollingsworth, et al
Related Bills:			

BILL SUMMARY

This bill would allow persons whose homes were damaged or destroyed in the 2003 Southern California fires, the 2003 San Simeon earthquake, or the 2004 San Joaquin Delta levee break, to retain the homeowners' exemption on their property.

ANALYSIS

Current Law

Article XIII, Section 3(k) of the California Constitution exempts from the property tax the first \$7,000 of the full value of a dwelling, as defined by the Legislature, when occupied by an owner as his principal residence. This exemption is commonly referred to as the "homeowners' exemption."

Section 218 of the Revenue and Taxation Code details the qualifications for the homeowners' exemption authorized by the constitution and provides that the exemption does not extend to a property that is vacant or is under construction on the lien date (January 1).

Proposed Law

This bill would amend Section 218 of the Revenue and Taxation Code to provide that dwellings qualified for the homeowners' exemption prior to specified disasters will not be disqualified as a "dwelling" or be denied the homeowners' exemption solely on the basis that the dwelling was temporarily damaged or destroyed or was being reconstructed by the owner.

Owner-occupied principal places of residence damaged or destroyed in the following disasters qualify:

- Those damaged or destroyed by fire or earthquake in a Governor declared disaster during the months of October, November, or December 2003 provided they qualified for the exemption prior to October 15, 2003 and have not changed ownership since October 15, 2003.
- Those damaged or destroyed by flood in a Governor declared disaster during June 2004 provided they qualified for the exemption prior to June 3, 2004 and have not changed ownership since June 3, 2004.

Background

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position.

In two previous disasters, the Oakland/Berkeley Hills fire of 1991 and the Los Angeles civil riots of April and May 1992, legislation was enacted to extend the homeowners' exemption to damaged or destroyed homes. [Ch. 1180, Stats. 1992 (SB 1639) and Ch. 17X, Stats. 1992 (AB 38 X)].

COMMENTS

1. **Sponsor and Purpose.** The author is the sponsor of this measure. Its purpose is to provide some financial relief to persons whose homes were damaged or destroyed by the 2003 Southern California fires, the 2003 San Simeon earthquake, and the 2004 San Joaquin Delta levee break.
2. **Amendments.** The July 8 amendment extends the provisions of this bill to owner-occupied dwellings destroyed in the San Joaquin Delta levee break. The June 28 amendments delete the income tax provisions of this bill which are contained in SB 438 (Soto). As introduced, this bill was limited to the Southern California fires that affected Los Angeles, Riverside, San Bernardino, San Diego and Ventura Counties in October and November 2003. The April 21 amendment extends its provisions to the San Simeon earthquake that affected Santa Barbara and San Luis Obispo Counties in December 2003.
3. **Homes that are uninhabitable on the lien date are technically ineligible for the exemption for the 2004-05 fiscal year under current law.** Many homes were damaged and destroyed in the Southern California fires of October and November 2003 and the San Simeon earthquake of December 2003. Consequently, those that are uninhabitable on the lien date will not qualify for the homeowners' exemption on January 1, 2004 pursuant to Section 218. Any home destroyed in the levee break of 2004 that is uninhabitable on January 1, 2005 would not be eligible for the 2004-05 fiscal year exemption.
4. **This bill would allow homeowners whose residences were damaged or destroyed in the fires, earthquake, or flood to retain the exemption on their property while they are in the process of rebuilding their homes.** Some counties have reported that, as required by Section 218, they will be removing the homeowners' exemption for the January 1, 2004 lien date from properties that are no longer inhabitable as they reassess the damaged properties to provide property tax reductions due to the fire damage.
5. **Tax Levy.** In order to allow these provisions to be applicable for the January 1, 2004 lien date, and thus receive the exemption applicable for the 2004-2005 fiscal year, this measure would need to be effective immediately, as this bill provides.

COST ESTIMATE

With respect to administration, the Board would incur insignificant costs in informing and advising local county assessors, the public, and staff of the law changes. These costs are estimated to be under \$10,000.

REVENUE ESTIMATE**Background, Methodology, and Assumptions**

Existing property tax law provides for a homeowners' property tax exemption in the amount of \$7,000 of the full value of a "dwelling," as defined. This bill would provide that (1) any dwelling that qualified for the exemption prior to October 15, 2003, damaged or destroyed by fire or earthquake and (2) any dwelling that qualified prior to June 3, 2004, damaged or destroyed by a flood may not be denied the exemption solely on the basis that the dwelling was temporarily damaged or destroyed or was being reconstructed by the owner.

This bill would allow those properties that were destroyed or damaged in the Southern California fires of 2003, the San Simeon earthquake of December 22, 2003, and the San Joaquin Delta levee break of June 2004 to retain the homeowners' exemption despite the fact that the owners are unable to occupy these properties.

This bill would extend these provisions to losses in the counties of Los Angeles, Riverside, San Bernardino, San Diego, San Joaquin, San Luis Obispo, Santa Barbara, and Ventura.

County	Damaged Homes	Number with HOX	Exempt Value *	Total Exempt (# x \$7,000)	2002-03 Average Tax Rate	Continued Subvention
Los Angeles	81	81	\$7,000	\$567,000	1.091%	\$6,186
Riverside	20	20	\$7,000	\$140,000	1.096%	\$1,534
San Bernardino	1,358	704	\$7,000	\$4,928,000	1.106%	\$54,504
San Diego	2,400	1,560	\$7,000	\$10,920,000	1.067%	\$116,516
Ventura	32	32	\$7,000	\$224,000	1.088%	\$2,437
San Joaquin	29	2	\$7,000	\$14,000	1.006%	\$140
San Luis Obispo	250	250	\$7,000	\$1,750,000	1.063%	\$18,603
Santa Barbara	0	0	N/A	0	N/A	0
Totals	4,170	2,649		\$18,543,000	1.073%	\$199,920

Revenue Summary

The local jurisdictions are reimbursed by the state for their losses due to the homeowners' exemption (HOX). This bill would require the state to continue to subvene these amounts. Based on the calculations above, we estimate the revenue impact to be about \$200,000 annually. The impact will decrease over time as these homes are rebuilt and the owners are once again eligible for the homeowners' exemption under existing law.

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